

**TRANSMITTAL AND NOTICE OF APPROVAL OF  
STATE PLAN MATERIAL**

1. TRANSMITTAL NUMBER:  
**01-20**

2. STATE  
**NC**

**FOR: HEALTH CARE FINANCING ADMINISTRATION**

3. PROGRAM IDENTIFICATION: TITLE XIX OF THE  
SOCIAL SECURITY ACT (MEDICAID)

TO: REGIONAL ADMINISTRATOR  
HEALTH CARE FINANCING ADMINISTRATION  
DEPARTMENT OF HEALTH AND HUMAN SERVICES

4. PROPOSED EFFECTIVE DATE  
**October 1, 2001**

5. TYPE OF PLAN MATERIAL (*Check One*):

☐ NEW STATE PLAN ☐ AMENDMENT TO BE CONSIDERED AS NEW PLAN ☒ AMENDMENT  
COMPLETE BLOCKS 6 THRU 10 IF THIS IS AN AMENDMENT (*Separate Transmittal for each amendment*)

6. FEDERAL STATUTE/REGULATION CITATION:  
**42 CFR 447.201**

7. FEDERAL BUDGET IMPACT:  
a. FFY **(\$3,195,920)**  
b. FFY **(\$3,277,872)**

8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:  
**Attachment 4.19-A, Page 5**

9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION  
OR ATTACHMENT (*If Applicable*):  
**Attachment 4.19-A, Page 5**

10. SUBJECT OF AMENDMENT:

**Medical and Remedial Care and Services for Inpatient Hospitals**

11. GOVERNOR'S REVIEW (*Check One*):

☐ GOVERNOR'S OFFICE REPORTED NO COMMENT  
☐ COMMENTS OF GOVERNOR'S OFFICE ENCLOSED  
☐ NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL

☒ OTHER, AS SPECIFIED: NOT REQUIRED

12. SIGNATURE OF STATE AGENCY OFFICIAL:



13. TYPED NAME:

**Carmen Hooker Buell**

14. TITLE:

**Secretary**

15. DATE SUBMITTED:

**September 27, 2001**

16. RETURN TO:

**Office of the Secretary  
Department of Health and Human Services  
2001 Mail Service Center  
Raleigh, North Carolina 27699-2001**

**FOR REGIONAL OFFICE USE ONLY**

17. DATE RECEIVED:  
**October 1, 2001**

18. DATE APPROVED:  
**December 20, 2001**

**PLAN APPROVED - ONE COPY ATTACHED**

19. EFFECTIVE DATE OF APPROVED MATERIAL:  
**October 2, 2001**

20. SIGNATURE OF REGIONAL OFFICIAL:



21. TYPED NAME:

**Eugene A. Grasser**

22. TITLE: **Associate Regional Administrator  
Division of Medicaid and State Operations**

23. REMARKS:

State Plan Under Title XIX of the Social Security Act  
Medical Assistance Program  
State: NORTH CAROLINA

Payments for Medical and Remedial Care and Services: Inpatient Hospital

- (5) The hospital unit values calculated in Subparagraph (d)(4) of this plan shall be updated annually by the National Hospital Market Basket Index as published by Medicare and applied to the most recent actual and projected cost data available from the North Carolina Office of State Budget, Planning, and Management. This annual update shall not exceed the update amount approved by the North Carolina General Assembly. Effective October 1, 1997, for fiscal year ended September 30, 1998 only the hospital unit values calculated in Subparagraph (d)(4) of this plan shall be updated by the lower of the National Hospital Market Basket Index as published by Medicare and applied to the most recent actual and projected cost data available from the North Carolina Office of State Budget, Planning, and Management or the Medicare approved Inpatient Prospective Payment update factor.
- (6) Allowable and reasonable costs will be reimbursed in accordance with the provisions of the Medicare Provider Reimbursement Manual referred to as HCFA Publication 15-1.
- (e) Reimbursement for capital expense is included in the DRG hospital rate described in Paragraph (d) of this plan.
- (f) Hospitals operating Medicare approved graduate medical education programs shall receive a DRG payment rate adjustment which reflects the reasonable direct and indirect costs of operating those programs.
  - (1) The Division defines reasonable direct medical education costs consistent with the base year cost per resident methodology described in 42 CFR 413.86. The ratio of the aggregate approved amount for graduate medical education costs at 42 CFR 413.86(d)(1) to total reimbursable costs (per Medicare principles) is the North Carolina Medicaid direct medical education factor. The direct medical education factor is based on information supplied in the 1993 cost reports and the factor will be updated annually as soon as practicable after July 1 based on the latest cost reports filed prior to July 1.
  - (2) Effective October 1, 2001, and for each subsequent year, the North Carolina Medicaid indirect medical education factor is equal to the Medicare indirect medical education factor in effect on October 1 each year.